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C O N F I D E N T I A L SECTION 01 OF 02 TEL AVIV 002782

SIPDIS

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TAGS: [ECON](#) [ETRD](#) [PREL](#) [PGOV](#) [PTER](#) [KWBG](#) [JO](#) [IS](#) [ECONOMY](#) [AND](#) [FINANCE](#) [ISRAELI](#) [SOCIETY](#)

SUBJECT: SHIMON PERES ADVOCATES ACTION ON ECONOMIC PEACE
CORRIDOR

REF: A. TEL AVIV 02451

[1](#)B. TEL AVIV 02571

Classified By: Ambassador Richard H. Jones for reasons 1.4(b) and (d)

SUMMARY

[1](#)1. (C) In a July 11 meeting with the Ambassador, Minister for Negev and Galilee Development Shimon Peres presented copies of signed letters from Jordan's King Abdallah, Palestinian President Abbas, and Prime Minister Olmert, soliciting former President Bill Clinton to chair an international board of directors for Peres's Economic Peace Corridor initiative. Peres asked the Ambassador for the USG's support in encouraging private investment in the initiative. He then outlined current plans to relocate three IDF bases from central Israel to the Negev, and detailed recent cabinet decisions that will dedicate 1.7 billion NIS to Negev development in 2007. Peres praised the government's decision to declare Israeli Arab towns and villages as Development Area "A" regions, which provides financial incentives for entrepreneurs to invest in business and tourism infrastructure. Finally, he acknowledged that ongoing events in Gaza are eroding public support for re-alignment. End summary.

ECONOMIC PEACE CORRIDOR NEEDS CLINTON'S PRESTIGE

[1](#)2. (C) MK Shimon Peres (Kadima) called a meeting with the Ambassador to discuss recent developments in his proposal for an Economic Peace Corridor along the Israeli-Jordanian border. Peres showed the Ambassador copies of signed letters from Jordan's King Abdallah, Palestinian President Abbas, and Prime Minister Olmert, each soliciting former President Bill Clinton to chair an international board of directors for the corridor. Peres said that the Israeli Ambassador in Washington had approached Secretary Rice about asking for former President Clinton's participation. In addition, he remarked that Deputy National Security Advisor Elliott Abrams had recently spoken with Clinton's office about the proposal. Peres asked the Ambassador to convey a request for official USG encouragement -- not aid -- for the project to attract private investment. He expressed concern that another intifadah will erupt before this economic initiative can be introduced to the public, and that such a development would squander a rare opportunity for governmental cooperation in the region.

NEGEV AND GALILEE DEVELOPMENT PLANS

[1](#)3. (C) The Ambassador asked Peres about the status of existing unilateral Israeli projects to develop the Negev. Peres reported that the IDF would lead the GOI's efforts to develop the Negev in the coming year by relocating three military bases from central Israel to the desert. He said that a technical intelligence unit would move nearly 10,000 soldiers to the Beer Sheva area, followed by an increased Israel Air Force presence at Nevatim and a basic-training camp to a location yet to be determined.

[1](#)4. (C) The Ambassador queried Peres about funding for Negev and Galilee development, given the absence of any funding from the GOI's 2006 budget. Peres responded that the Prime Minister and Finance Minister had just the day before approved the initial installment of 1.7 billion NIS for Negev development in the 2007 budget proposal. Peres explained that 200 million NIS of this installment is earmarked for his ministry, with the remaining 1.5 billion NIS to be distributed to other ministries for projects in the Negev and Galilee regions. Peres said that the government intends to invest a total of 17 billion NIS on Negev and Galilee development over the next ten years.

[1](#)5. (C) The Ambassador asked Peres about the role of Israeli Arabs in the GOI's plans for developing the Negev and Galilee. Peres responded that the Prime Minister's Cabinet had just approved an amendment to the 2002 Capital Investments Encouragement Ordinance that will classify all minority settlements -- including recognized Israeli Arab

towns and villages -- as Development Area "A" priority regions. (Comment: The Law for the Encouragement of Capital Investments provides financial assistance to entrepreneurs for building factories, hotels and tourist attractions in Development "A" areas. In February 2006, the High Court of Justice overturned the government's previous map of priority development regions, based upon a court case brought by an NGO claiming that the Development Area "A" regions, as originally delineated, contained 500 Jewish and only four Arab settlements. End comment.) Peres further maintained that 600 million NIS of the total 17 billion NIS for Negev development in 2007 will be targeted to projects that will improve the socio-economic conditions of Israel's Bedouin communities. The Ambassador stressed that the Israeli Arab community is an untapped resource for building better ties with Israel's neighbors, and that economic development of the Arab sector is in the GOI's own interest.

RED SEA TO DEAD SEA PROJECT

16. (C) Peres expressed disappointment with the World Bank's inability to raise 15 million USD to undertake a feasibility study of the proposed canal/pipeline to replenish the Dead Sea with water from the Red Sea. He said that the unknown environmental risk of adding Red Sea water to the Dead Sea did not outweigh the known risk of allowing the Dead Sea to completely evaporate without taking preventative action. He commented that Israeli experts had convinced him that replenishing the Dead Sea by only the same amount of water that it is currently losing each year would minimize the environmental risks. He is therefore looking at a much smaller scale project which he believes can be financed privately.

OPEN AL ARISH AIRPORT FOR GAZANS

17. (C) Peres said he had proposed "to the Egyptians" that produce and goods from Gaza could be more easily shipped to international markets through the Al Arish airport in Sinai than through the Karni crossing and Ben Gurion Airport, due to lengthy Israeli security inspections. Peres said that the Egyptians did not refuse his proposal.

ERODING SUPPORT FOR RE-ALIGNMENT

18. (C) Peres acknowledged that recent events in Gaza are eroding popular support for Kadima's re-alignment plan. He said that a unilateral withdrawal from the West Bank was always planned as a second step, after first trying to achieve a negotiated bilateral agreement. He said that the public is "jumping the gun" by criticizing re-alignment before the government even arrives at the first step. He also described the public's current criticism over last year's disengagement from Gaza as "unfair."

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JONES